



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ACTION MEMORANDUM

Date: August [REDACTED], 2022
From: Verónica R. Soto, ERA Program Director
To: Jessica Milano, Chief Program Officer
CC: Vikram Viswanathan, Senior Advisor; Policy Advisor; Jeff Schroeder, Policy Advisor
Subject: Emergency Rental Assistance (ERA) – Notice and Letter Template Regarding ERA1 Administrative Expenses

The Consolidated Appropriations Act, 2021, permits Grantees to spend up to 10 percent of their initial ERA1 allocations on administrative costs attributable to providing rental assistance and housing stability services. Treasury's ERA1 Reallocation Guidance (Guidance) specifies that a Grantee that has obligated less than 30% of its initial allocation by September 30, 2022 may spend up to 10% of its initial allocation on administrative costs only if it can demonstrate that those costs are related to the delivery of the ERA1 program. Otherwise, the Grantee's administrative expenses must total 10% or less of its ERA1 allocation *after* deducting amounts recaptured or reallocated as excess funds.

Staff propose the release of a notice and letter template intended to create a uniform process by which Grantees that obligate less than 30% of their initial ERA1 allocations for the purposes identified above may seek determinations from Treasury that their administrative expenses are related to program delivery for the purposes of the Guidance. We expect that these documents will assist Grantees in providing Treasury with key information regarding their administrative costs in a consistent, standardized format. They will thereby allow Treasury to provide efficient determinations as to whether a Grantee's administrative expenses were related to the ERA1 program for the purposes of the Guidance.

RECOMMENDATION

1. That you approve releasing the enclosed notice and letter template regarding ERA1 administrative costs.

_____ Approve

_____ Disapprove

_____ Let's Discuss

BACKGROUND

The Consolidated Appropriations Act, 2021, permits each ERA1 Grantee to expend up to 10 percent of the amount paid to it on administrative costs attributable to providing rental assistance and housing stability services.

Section V. of the Guidance describes Treasury's approach to this provision of the statute in instances where a Grantee's allocation has been reduced by recapture or reallocation. It states that a Grantee with a reduced allocation may expend up to 10 percent of its initial allocation on administrative costs only if it obligates at least 30 percent of its initial allocation on the provision of financial assistance and housing stability services to eligible households by September 30, 2022. If a Grantee has not met the 30 percent obligation threshold, Treasury will presume that the Grantee's administrative expenses were not attributable to such services—and therefore were not permissible uses of ERA1 funds—to the extent that the administrative expenses exceed 10 percent of the Grantee's allocation, after deducting amounts recaptured or reallocated as excess funds.

However, the Guidance also allows Grantees to rebut this presumption by demonstrating that their administrative costs were related to delivery of the ERA program. This provision creates an allowance for instances where a low cost of local housing, limited program demand, or other factors may cause a Grantee to obligate less than 30 percent of its initial allocation in the manner described in the Guidance, even if the Grantee has expended up to 10 percent of its initial allocation on program-related administrative costs.

In two previous instances, Treasury has issued determinations that a Grantee's administrative costs were related to delivery of the ERA1 program pursuant to section V. of the Guidance: in January 2022, for North Dakota, and in March 2022, for Wyoming. In both instances, the Grantees provided (1) a narrative description of the major categories of their claimed administrative costs that discussed how those costs furthered the ERA1 program; and (2) a short financial statement summarizing the Grantee's administrative costs. Staff reviewed these submissions, and Treasury issued letters to each Grantee rendering a determination that its administrative costs were related to program delivery.

Staff anticipate that, as the ERA1 program concludes, additional Grantees with low obligation levels will seek Treasury's determination regarding the permissibility of their administrative costs. We believe it is therefore advisable to create an efficient process for considering such requests from Grantees that aligns with Treasury's earlier review of Wyoming and North Dakota's administrative costs.

Staff thus recommend releasing the enclosed notice and letter template. The notice instructs Grantees seeking a determination under section V. of the Guidance to provide Treasury with a short financial statement summarizing their administrative costs, and provide a narrative description in a letter of their claimed administrative costs that discusses how those costs furthered the ERA program. Staff believe that these documents will be sufficient to determine whether a Grantee's administrative costs are related to ERA1 program delivery for the purposes of section V. of the Guidance. We also note that these are the same documents Treasury

reviewed from North Dakota and Wyoming, so considering these documents from future applicants will promote consistency in Treasury’s implementation of its ERA1 Guidance.

As Grantees provide submissions regarding their administrative costs to Treasury pursuant to the notice, staff will review their materials. We may then make recommendations, where appropriate, that you determine their administrative costs are related to program delivery for the purposes of the Guidance.

Subject:	Notice and Letter Template Regarding ERA1 Administrative Expenses		
Drafted by:	ORP	Jeff Schroeder/(202) 993-0186	8/2/2022
Cleared by:	ERA Director	Verónica R. Soto	[DATE]
	Housing Senior Advisor	Vikram Viswanathan	[DATE]
	OGC	Devin Mauney	[DATE]